

Michigan Public Service Commission

Staff Report

Results of 4th Competitive Market Conditions Survey

May 2003

Case No. U-12320

The Michigan Public Service Commission Staff conducted its 4th Information/Data Request of SBC and all licensed Competitive Local Exchange Carriers (CLECs), which included incumbent local exchange carriers (ILECs) that also operate as CLECs in Michigan. This survey was sent to 219 licensed CLECs in the state of Michigan as of December 31, 2002. The survey was mailed to the companies on January 17, 2003 with a response date of February 28, 2003. A reminder survey was also mailed on March 21, 2003 to the companies that had not yet responded. The data collected was for the calendar year ending December 31, 2002. This information was gathered to assist the Commission in furthering its evaluation of the state of local competition in Michigan.

The original survey vehicle was developed through a collaborative process set forth in the Commission's order in docket U-12320 in 2000. This survey requested some information that the companies considered confidential. The results of portions of this survey are reported as total group numbers to maintain the confidentiality of the individual company numbers.

Attachment A consists of a chart that indicates the number of lines attributed to CLECs in Michigan as submitted by the CLECs responding to this survey. Of the 219 CLECs that the survey was mailed to, 113 companies filed a response with 54 of those companies reporting that they are actually providing service and have line counts, and of this group 27 CLECs are providing service to both residential and business customers. The companies with no line activity have either just begun to offer service and have no line activity to report for 2002 or they are providing services other than local, like resold long distance. SBC also reported the same type of counts from information they collect pertaining to the number of lines that they provide to the CLECs (Attachment B). There is a discrepancy between what SBC reports and what the CLECs report. This can be attributed to what SBC estimates as the number of lines that the CLECs provide totally over their own facilities and what the CLECs report as actual for this category.

From the data compiled through this survey (Attachment A), staff has found that the number of lines provided by CLECs (including over their own facilities) is 1,447,176. Staff has prepared a chart of the number of access lines provided by all of the incumbent local telephone companies in Michigan (Attachment C). This indicates that the number of lines provided in Michigan (ILECs including SBC and CLECs) is 6,668,124. The number of CLEC lines compared to total lines represents 21.7%. Ameritech's share is 62.9% while Verizon's share is 11.9%. The small independent telephone companies represent 3.6% of the total lines in Michigan. It should be noted that virtually all of the CLEC activity is in the geographic areas that are served by SBC. As a percent of the SBC market, the CLEC market share is therefore approximately 26%. The survey responses indicate that the geographic areas covered by CLEC lines encompass the Detroit, Grand Rapids, Lansing, Saginaw and Upper Peninsula LATAs with the majority of the competitive lines being provided in the Detroit LATA. From the data that SBC provides, 64% of the competitive lines are provided in the Detroit area, 21% of the competitive lines are provided in the Grand Rapids area, 6% of the lines are provided in the Lansing area, 6% of the lines are provided in the Saginaw area and 2% of the lines are provided in the Upper Peninsula area.

The 2002 Survey Results Show That:

CLECs With No Lines	59
CLECs 1 – 1,000 Lines	18
CLECs 1,001 – 10,000 Lines	16
CLECs over 10,000 Lines	20
Total CLECs Responding to Survey	113

The preceding chart indicates a grouping by size of CLECs according to the number of customer lines that they served in 2002. The chart shows that of the 113 CLECs reporting, 59 were serving no customers in 2002 which represents 52% of the group, while the second group served between 1 line and 1,000 lines, a group of 18 CLECs or about 16%. The third group served between 1,001 and 10,000 lines each and is comprised of 16 CLECs for a 14% share, and

the last group of CLECs served over 10,000 lines each and represents 20 CLECs for a 18% share.

From the survey data, the results indicate that approximately 93% of the CLEC lines are in SBC's territory while 7% of the CLEC lines are in Verizon's territory. Michigan CLECs are using several methods of entry in order to compete: 4% by resale; 18% by using the incumbent's unbundled network facilities; 65% by using the incumbent's unbundled network platform and 10% through their own facilities.

Staff made an attempt to verify which companies may have line activity and to obtain line counts from all of the viable CLECs. Staff has determined that those companies not responding to the survey mainly comprised a group of newly licensed CLECs that are not yet providing service, CLECs that were licensed but are no longer in business or are companies with negligible line counts. During 2002, the Commission had 10 CLECs go out of business and surrender their licenses. From staff's review, we have determined that the majority of the viable CLECs have reported through this survey process.

**Competitive Market Conditions
4th Information/Data Request
CLEC Access Line Data
For the Period Ending Dec. 31, 2002
As Reported by CLECs**

1. Lines Served via Resale of ILECs service	58,617	4%
2. Lines Served via Unbundled Network Facilities	264,600	18%
3. Lines Served via UNE Platform	932,667	65%
4. Other Dedicated LEC Access Lines	<u>34,785</u>	2%
5. Total via ILEC Facilities (Lines 1 + 2 + 3 + 4)	1,290,669	
6. Lines Served via CLEC Own Facilities	148,691	10%
7. xDSL Lines	<u>7,816</u>	1%
8. Total Lines Served (Lines 5 + 6 + 7)	1,447,176	

This survey was sent to companies with CLEC licenses in Michigan as of January 17, 2003, including ILECs with CLEC licenses.

This information is collected from the 54 CLECs that reported any line activity. The rest of the reporting group reported no lines.

Business Lines	519,809	36%	(40 CLECs)
Residential Lines	<u>927,367</u>	<u>64%</u>	<u>(42 CLECs)</u>
Total Lines	1,447,176		(27 CLECs – both)

**Competitive Market Conditions
4th Information/Data Request
CLEC Access Line Data
For the Period Ending Dec. 31, 2002
As Reported by SBC**

1. Lines Served via Resale of Ameritech's Service	38,068
2. Lines Served via Unbundled Network Facilities	184,850
3. Lines Served via UNE Platform	947,049
4. Total Lines Served via Ameritech Facilities (Lines 1 + 2 + 3)	1,169,967
5. Estimated Lines Served via CLEC Own Facilities*	836,365
6. xDSL Lines	<u>7,143</u>
7. Total Lines Served (Lines 4 + 5 + 6)	2,013,475

*Ameritech estimates lines served via CLEC own facilities (non-DSL) based on CLEC interconnection in service trunks times 2.75 (estimated lines supported per trunk) minus unbundled loops.

**Michigan Public Service Commission
4th Information Data Request
Competitive Market Conditions Update
Data From 12/31/02**

Company Name	Access Line Count			Total Access Lines
	Resident	Business	Public	
Ace Telephone Company of MI, Inc.	5,098	1,054	13	6,165
Allendale Telephone Company	5,419	2,369	0	7,788
Baraga Telephone Company	3,868	1,426	68	5,362
Barry County Telephone Company	6,452	1,532	2	7,986
Blanchard Telephone Association, Inc.	1,262	210	5	1,477
Bloomington Telephone Company	1,903	203	5	2,111
Carr Telephone Company	1,959	76	8	2,043
CenturyTel Midwest -- Michigan, Inc.	24,969	5,387	187	30,543
CenturyTel of Michigan, Inc.	49,860	15,492	456	65,808
CenturyTel of Northern Michigan, Inc.	2,824	611	20	3,455
CenturyTel of Upper Michigan, Inc.	9,593	3,178	136	12,907
Chapin Telephone Company	672	36	0	708
Chippewa County Telephone Co.	1,213	520	18	1,751
Climax Telephone Company	1,084	515	4	1,603
Contel of the South d/b/a Verizon Sys	45,410	9,251	130	54,791
Deerfield Farmer's Telephone Co.	2,309	389	19	2,717
Drenthe Telephone Company	631	128	3	762
Frontier Communications of MI, Inc.	20,466	4,567	127	25,160
Hiawatha Telephone Company	4,051	1,816	128	5,995
Kaleva Telephone Company	2,125	559	0	2,684
Lennon Telephone Company	1,653	292	5	1,950
Midway Telephone Company	743	99	7	849
Ogden Telephone Company	417	49	0	466
Ontonagon County Telephone Co.	3,028	1,500	38	4,566
Peninsula Telephone Company	1,317	252	0	1,569
Pigeon Telephone Company	2,736	1,119	18	3,873
Sand Creek Telephone Company	1,090	160	2	1,252
SBC Ameritech Michigan	2,404,822	1,753,307	33,642	4,191,771
Springport Telephone Company	1,696	262	0	1,958
TDS Telecom/Chatham Telephone Co.	2,619	442	0	3,061
TDS Telecom/Comm Corp. of MI (CCM)	3,717	1,241	0	4,958
TDS Telecom/Island Telephone Co.	952	290	0	1,242
TDS Telecom/Shiawassee Telephone	5,109	1,186	0	6,295
TDS Telecom/Wolverine Telephone Co	8,387	1,677	0	10,064
Upper Peninsula Telephone Company	6,469	781	21	7,271
Verizon North Inc.	549,144	184,258	2,497	735,899
Waldron Telephone Company	505	115	3	623
Westphalia Telephone Company	903	310	3	1,216
Winn Telephone Company	96	153	0	249
Total ILECs	3,186,571	1,996,812	37,565	5,220,948

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Verizon North and Contel	790,690	11.9%
SBC Ameritech Michigan	4,191,771	62.9%
Independent Telcos	238,487	3.6%
CLEC Lines	1,447,176	21.7%
Total Lines in Michigan	6,668,124	100.0%